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FISCAL IMPACT STATEMENT

LS 7457

BILL NUMBER: HB 1590

NOTE PREPARED: Jan 20, 2015

BILL AMENDED:

SUBJECT: Earn More Indiana Scholarship.

FIRST AUTHOR: Rep. Austin

As Introduced

BILL STATUS:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill establishes the Earn More Indiana Scholarship Program and Fund for students attending postsecondary educational institutions immediately after high school to earn associate degrees. It sets forth qualification requirements.

The bill provides for \$36 million annual funding as follows: (1) \$12 million from the state General Fund. (2) \$12 million from Indiana State Lottery revenue. (3) \$12 million from riverboat wagering taxes.

Effective Date: July 1, 2016.

Summary of NET State Impact: The bill establishes the Earn More Indiana Scholarship Program to provide scholarships to individuals to earn an associate degree. The table below summarizes the funding provided under the bill to the Earn More Indiana Scholarship Fund and the estimated scholarship expenditures from the Fund.

Resources to Earn More Indiana Scholarship Fund	FY 2017	FY 2018
State General Fund Appropriation	\$12 M	\$0
Lottery Profits Transfer	\$12 M	\$12 M
Riverboat Wagering Tax Distribution - State Share	\$10.5 M	\$10.5 M
Riverboat Wagering Tax Distribution - Local Share	\$1.5 M	\$1.5 M
Total Resources	\$36 M	\$24 M
Spending from Earn More Indiana Scholarship Fund		
Scholarships	(\$15.2 M)	(\$15.2 M)

Explanation of State Expenditures: *State General Fund:* The bill appropriates \$12 M in FY 2017 from the state General Fund to the Earn More Indiana Scholarship Program.

Earn More Indiana Scholarship Fund: Subject to the amount available in the Earn More Indiana Scholarship Fund, a scholarship is equal to the cost of tuition minus any financial aid the student might receive up to a maximum of \$4,000. Scholarship expenditures would depend on the number of eligible students, tuition and fees, and other financial aid students may be eligible to receive. Using data from Department of Education and the Commission for Higher Education, the maximum cost of scholarships is estimated to be \$15.2 M annually. The actual cost of scholarships may be lower to the extent that eligibility requirements and achievement standards in the bill reduce the number of students qualifying for scholarships each year.

Additional Information: The bill establishes the Earn More Indiana Scholarship Program to provide scholarships to individuals to earn an associate degree from a state educational institution or a nonprofit independent college or university located in Indiana. To be eligible, the individual has to graduate from an approved secondary school, successfully complete at least 15 credit hours each semester the individual is enrolled in the postsecondary institution, and fulfill other requirements outlined in the bill.

The bill establishes the Earn More Indiana Scholarship Fund to provide the scholarships. The nonreverting fund consists of appropriations from the General Assembly, transfers of lottery profits from the Administrative Trust Fund, and distributions of riverboat wagering tax revenue. Any additional cost to the CHE related to the administration of the fund will be paid from the fund.

About 70,000 students graduate from high schools each year, and approximately 66% attend college. About 12,700 of these students enroll in an associate degree program in the state. The completion rate is estimated to be 30%, or about 3,810 students. This includes full-time students who complete their degree on time, full-time students who take longer, and part-time students who complete their degree on time. It is assumed that a full-time student would be enrolled for at least 15 semester hours and a part-time student for less than 15 hours except for those that complete their degree on time. It is estimated that these 3,810 students could receive up to \$4,000 each, resulting in \$15.2 M distributed from the fund annually.

Explanation of State Revenues: *Lottery Profits:* Starting FY 2017, the bill requires the Lottery Commission to transfer \$12 M annually in lottery profits from the Administrative Trust Fund to the Earn More Indiana Scholarship Fund established by the bill. This would reduce the annual distribution of lottery profits to the Build Indiana Fund (BIF) by \$12 M, but would not impact the state General Fund transfer to the BIF.

Under current law, the BIF is guaranteed to receive \$250 M annually in revenue from the following sources: (1) lottery profits; (2) pari-mutuel taxes; (3) surplus revenue from the Charity Gaming Enforcement Fund; and (4) revenue from the state General Fund. The distribution from the state General Fund covers any shortfall in revenue below the \$250 M guarantee level from the other three sources. According to estimates provided by Hoosier Lottery, BIF will receive lottery profits in the amount of \$305 M in FY 2016, and \$350 M in FY 2017 and FY 2018. The transfer is expected to increase annually thereafter.

Riverboat Wagering Tax: The bill distributes \$12 M annually in revenue from the riverboat wagering tax (from all riverboat casinos but the French Lick Casino) to be deposited in the Earn More Indiana Scholarship Fund beginning in FY 2017. The bill requires this distribution after the distributions for local revenue sharing but before the distribution to the local units where the riverboat casinos are located and the state General Fund. Consequently, the bill would essentially redirect revenue from some local units and the state General Fund to the specific purpose of paying for the Earn More Indiana Scholarship Program. The reduction in the state General Fund would be about \$10.5 M.

Under current statute, the first \$33 M of revenue each year from the riverboat wagering tax collected at all riverboat casinos except the French Lick Casino is distributed to local revenue sharing. After this distribution, 25% of the revenue up to the FY 2002 distribution levels is distributed to cities and counties where the riverboat casinos are located, with the remainder distributed to the state General Fund. The Revenue Technical Committee forecast (December 18, 2014) estimates that the state General Fund will receive \$309.6 M in FY 2017.

Explanation of Local Expenditures:

Explanation of Local Revenues: Riverboat wagering tax received by some local units will be reduced by a statewide total of \$1.5 M annually.

State Agencies Affected: Postsecondary educational institutions offering associate degree programs; Commission for Higher Education; Treasurer of State; Department of Revenue; Hoosier Lottery; Auditor of State.

Local Agencies Affected: Local Units receiving riverboat wagering tax.

Information Sources: Indiana College Completion 2014 Report; Indiana Gaming Commission, Annual Report FY 2011-FY 2014; OFMA, Casino Data; Revenue Technical Committee Forecast (December 18, 2014); Hoosier Lottery Annual Report.

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